

Honorable Joseph F. Bianco
United States District Court
Eastern District of New York
100 Federal Plaza Central Islip, New York 11722

Dear Honorable Judge Bianco,

Initially, I was hesitant to write this letter. However, prior to your final decision on my motions and perhaps sentencing, I would like to share with you a few thoughts and make a few remarks, before the gavel comes down.

In 1989, I dropped out of college and returned to the US Virgin Islands to help my family out in the business. At that time, my mother, who suffered from a cancerous tumor on the brain, was living in Palestine. Thus, my eldest brother left his business to attend to her, and I assumed his role in managing the business that my father had started in 1961 when he first moved to St. Croix. In that year, a devastating hurricane called "Hurricane Hugo" hit St. Croix and devastated 80-90% of the island. I was one of the few on the Island who took the necessary preparations and precautions seriously, despite mild rejections from the family. That business was a clothing business, and it was the only clothing store on the Island to survive the storm, and the looting which occurred afterwards. I lived in that store for three weeks, without electricity and running water, until President Bush Senior sent in the troops to protect the 50,000 Americans that lived on the Island. My family ended up making a fortune as a result of protecting the business. The sad part was that I lost the most precious thing in my life. My mother passed away at age 57, and I wasn't able to attend the funeral because the Island was

completely isolated from the outer world for almost a month. After all was said and done, I took about \$200,000 and started the family in the commercial real-estate business by buying hurricane damaged properties and then fixing them up and leasing them out. By the mid 1990's the assets were worth well over \$5 million. I then got married in 1994 and started a water bottling business on my own, and was doing my trading business off and on.

My first daughter Zeina was born on October 19, 1995. After my second daughter Selma's birth on August 30, 1998, I started planning to move my family out of the Island. This was done primarily to get them away from Island lifestyle, mainly the drinking and drug environment, typical of beach living. The idea did not sit well with my family, since I was the person with the "connections" for the business, and they wanted me to remain on the island. In the year 2000, I turned everything over to my brother, and walked away from everything with nothing. After all, it was against the family's wishes.

In the year 2000, I moved to Florida and within a couple of years, I was able to get into the real estate business as an investor buying and selling homes. The only individual that I reached out to for help was Roger Kainth, and Roger was there for me with money and credit when needed. In 2005, I took over UPDV, with a \$250,000 investment that gave me control of the board of directors. At the time, the company was a virtual shell with no assets whatsoever. I learned the Oil and Gas business, and within 3 years the company's assets were estimated at \$100 million. I was able to cumulate the assets through hard work, good research, savvy deal making, and a good

network of people around me. I really poured my heart and my soul into that company. It was the classical "American Dream" that anyone would have loved to have.

I then raised money from a few friends and associates. Basically, the investors gave money to the company which then issued the investors' stock, and assisted them in selling their stock in the market by hiring investor's relations firms and promoters, legitimate promoters. The investors would re-invest, and the cycle would go on. Assets were being purchased with the investments that were coming into the company, and shareholder's value was continuously created. I created more than 150 employment opportunities, plus many more for the people that drilled the wells and offered other services for the company. Many of these jobs are still provided, since the business still exists, but is now run by a different management.

This process is the typical process that small companies use to raise money. UPDV was well accepted in the market and investors from all over the world bought stock in the company. That is until the financial crisis hit and the market seized. This was not just for UPDV, but for all the small and the big companies. Take Goldman Sachs as an example. They couldn't raise money in the public market for the majority of the public companies, but in 2008 they could not raise money for themselves. They had to go to Warren Buffet for a private investment. The same occurred with GE, and in short, the public market was paralyzed.

As I look back at what happened and try to assess the situation, many things have come to light. While it is true that I was successful in accumulating good assets, I failed to manage success to a certain degree, and the latter is very important to

continue a profitable business. This is what led me to make an extremely risky bet in the currency market.

I do not condone Seiden's criminal conduct, but I still insist that the way I attempted to raise money was not to defraud, and I submit that if I was a developer who owned 100 houses and hired someone to sell these houses, and the broker did something fraudulent to earn a high commission, many would say punish the broker. There are two options to sell these houses. One is to sell on the way up and one is to sell on the way down. Let us examine both options and the affect on the buyers. Option one is to sell on the way up, so the developer asks the broker to sell the first 10 of 100 between \$100,000- \$105,000. Then, depending on the demand, the broker is asked to move the second set of 10 houses at a price of \$105,000- \$107,000. As for the buyers of the first set who bought, they would be happy to see that the second set of houses is selling at a higher price than what they paid. Now let's examine the second example, which is selling on the down side. If the developer sold the first set at \$100,000-\$105,000, then sold the second set at \$90,000-95,000 and the third at \$80,000 - \$85,000, how would the first buyers (the ones that bought the first set of houses at \$100,000) feel as they are seeing the house next door selling at \$80,000? Are they going to be happy with their investment or are will they try to get out and add more pressure on the market? It would then be a race to the bottom.

When retail investors buy stock at the market, this is a totally different world from the wholesale and the institutional dealings. When I asked Seiden to find a buyer slightly above the market, I intended to sell on the way up. At the same time, if a retail investor happened to offer his stock slightly above the market, his order most likely will

be executed before my order. The key here is not to sell at an inflated price and to offer buyers value of what they are buying. Previously, I have explained that UPDV had \$100 million in assets and a debt of \$15 - \$18 million, but let's say 20 million. Then, 100 million - 20 million is 80 million. UPDV owns 75% of its subsidiaries, so that puts the net value at 60 million. The company had 2 billion shares outstanding, which gives the shares a value of 3 cents. When I started offering the stock a .005 or half a penny, I would say that this price is far from inflating the value of the stock. For this reason, I will insist for the rest of my life that I did not attempt to defraud anybody.

As I testified during trial, if my intention was to sell my stock only, I would have asked Seiden to put a single order below what the stock was trading, would then have sold all my position in one shot. But it was never my intention to undermine the other shareholders and benefit personally from this transaction. I was mindful that whoever is offering the stock for sale can sell, and new shareholders "institutional investors" will be introduced to stock which eventually will increase the liquidity of the stock.

I believe in simplicity and I always like to simplify matters. I refer to this instant case as a disagreement between the government and myself, and both sides came before you and the jury to decide this matter. For my part, I was casual about it and I thought that I would explain my side of the story and let the truth prevail, and everyone will go his own way. I knew that the government was ill advised on the matters and I was willing to provide answers. When the FBI came to arrest me in San Antonio, they said it was a pump and dump scheme. Later it changed to a false demand scheme. Then it was changed to a manipulation scheme. I had maintained that I hired Seiden to create a legitimate demand to raise money to buy the assets and I will not change my

story because it is the truth. I was under the impression that the parties will focus on getting the truth out and this is not a contest to win. Unfortunately, my opponent was not interested in the truth and was interested in winning. I did not deny that I sold stock when Seiden created demand, but the government insisted on putting on a show, and I saw the angry expressions of your face when you watched from the corner of the room as Scott was going over the trades. I did not deny that I wired money to Seiden, but the government insisted on showing and circulating my picture coming out of the bank, as if walking out of the bank is a crime. And then, when it came to the 404 (b), they trashed my character and made Madoff look like an angel compared to me.

On the other hand, When Mr. David Woll was cross examining me about accounting matters, I took the high ground and did not embarrass him in front of the jury that he knew nothing about accounting. And when he asked me about a "level II machine" that I use to trade stock on, again I took the high ground and did not embarrass him. There is no such thing as a level II machine. It is software.

In addition to the above, I feel that two issues were taken for granted without elaboration. The first was the meeting with Seiden in San Antonio, where he said two things: 1) I was not surprised when he told me about his trade, and 2) that he asked me for a list of hedge funds with their trading information. First, he came to San Antonio to negotiate becoming a partner of my investment banking firm. I recall the dinner meeting. I turned to him and asked him who is doing all the buying, and his answer was brokers are taking all the stock. Brokers and market makers often buy a block of stock and then sell it over time. There was nothing that surprised me in that point, and it is in my nature to not be easily surprised. As for the second point in which he asked me for a list

similar to what he stole from Legend Merchant Group; if there is any indication that this individual is lying, then this is it.

The second issue taken for granted was the claim that Roger Kainth was part of a conspiracy, just because he sent me money. I would offer that Roger is innocent of any wrongdoing; in the same manner the wolf is innocent of Joseph's blood. And in the same manner that Joseph's brothers ran to their father with false and deceptive information, which that government ran to you and this court with false and deceptive information about Roger's involvement.

When Roger and I sold stock, neither he nor I were aware of Seiden's Scheme. Roger never met Seiden, and never knew who was creating the demand. The FBI interviewed him in St. Croix, and they brought an IRS agent to the interview. Then they interviewed him again in D.C. and Scott Klogman was there. I asked the court to examine his 302 since he is considered a "co-conspirator".

I grew up in a family where my father and my uncles, and before them my grandfather and great uncles, settled disputes among parties across Palestine in traditional tribal like settings. They ruled based on precedent, norms, tradition and religious teachings. This was even applicable in the Virgin Islands. Whenever a dispute occurred within the Palestinian Community, members would still come to my father or my uncles to settle these disputes. Every time a party asked my father to weigh in, my father or my uncles would say they have to hear from the other side. In the two issues that I mentioned above, the court never examined what the other side had to say neither "at what took place in San Antonio" nor "was Roger a co-conspirator."

Often, when we think of financial crimes, we think of greed and how greed motivates people to commit crimes, but let's examine the instant case. I lost \$4 million in the currency and put the company at risk. What did I do?! I took the last penny that I had and sent it to the company. Is it conceivable that someone sees a company faced with foreclosure and invests a million dollars (his last money) into that company? Then after that borrows another \$500,000 to help unfreeze the public market of the stock? Would a sensible person put a million and a half and then hire a crook to help him sell his stock? Even when we look back, in September of 2008, I took \$1.2 million and within a week returned almost \$2 million to the company. Let's examine the government response to the \$4 million lost in the currency market and the \$1.2 million profitable trade. The government kept insisting that I stole \$4 million without any mention of the \$1.2 Million. Wasn't the \$1.2 million taken from the company in the same manner? This leads someone to inquire about what the standard is that the government is employing. If I made money on a trade it is not theft, but if the defendant lost money then it is theft. How hypocritical is this standard?

The only party that promoted the idea of the \$4 million theft was Sheridan Assets management, and their goal was known. They then succeeded to take over the assets in exchange for their loans. Greed was not a factor for trying to raise the money and reacquire the assets of the company. It was the drive to re-succeed and get back my company.

After I was forced out of UPDV, many of my ex-associates recommended that I start Micro Cap Advisors, an investment banking company that assists small companies in raising capital. The saying goes tell me who are your friends and I will tell you who

you are. Here's a list of the individuals that joined with me as a team: Bradford Moore, a graduate of Philips-Andover and a personal friend and a classmate of George W. Bush. Brad was in charge of the in house bookkeeping. Clifford "Kip" Lowe, a commercial real estate broker and retired pilot from Continental, who later had his own airline and on numerous occasions flew President Johnson; Kip was part of the deal flow business. Brad Steere, who after leaving the SEC as an enforcement attorney, became legal counsel of UPDV, and later an advisor to Micro Cap. I could go on and on. What I am trying to say here is that I was not leading a group of renegades and working on schemes to fleece people, the way the government tried to make it seem.

As I mentioned before, greed is not in me. I am often criticized for overreaching, over helping, and being overly generous. When I made money, I used it to help others. I have never felt insecure because of a lack of it. I am a risk taker, and money in itself was never the object of my life. As long as I am providing for my family, and living comfortably, that's what counts. I never tried to impress people with jewelry or fancy appearances, but always with intellectual discussion and common sense.

My roots in this country go back to 1911 when my great uncle migrated to the USA, and then in the 1950's my father moved to the US Virgin Islands. In 1967, when Bob Kennedy was assassinated by Sarhan Sarhan, an angry crowd gathered a few blocks from my father's store "Abdallah's Department Store" (which I mentioned in the beginning of my letter), with the intension to set my father's store on fire and hurt him. A local prominent black lady overheard the crowd's intensions. Her name is Mrs. Williams from the LaGrande Princess, St. Croix. She alone stood up to the crowd and put them on notice that my father is her son, and the crowd was disbursed. Then she drove to

Central High School and picked up my older brother and brought him home. From that day, my father made St. Croix his home and in fact still has the same business he started in 1961.

Personally, I have served this country in different ways and have my record of public service. In 2006, after we moved to Texas, I enrolled my eldest daughter at Texas Military Institute, the same school that General Douglas MacArrthur attended, and she joined the Junior ROTC program as a cadet. My wife and I instilled in our daughters the sense of patriotism and leadership qualities from their early days. We made it known, in spite of all the stereotypical comments they have endured because of their names, that they are not any less American than even the President of the United States, and they should never let anyone take this away from them. My wife and I also taught our daughters that the Government "Executive Branch" does not give us our rights. Our rights are protected by the constitution. They also should not to fear to challenge the government in a court of law if they attempt to take away their rights and liberties.

My wife came to the USA when she was 9 months old, and attended school and graduated from the American University in D.C. My father-in-law received his military training at Fort Benning, Georgia in the late 60's.

I always speak my mind and I realize that I maybe be hard on my opponent. I had maintained all along and I am still saying that my conduct was not criminal, and I did not break any laws. Contrary to what the government said in their letter that I disrespect the law, I think I demonstrated to this court that I respect the law, and I am

willing to dig deep in the law to prove my points. The issue here is can a person speak out of both sides of his mouth and still be respected? I maintained all along that I am innocent of the crimes alleged, but at sentencing the government expects of me to apologize for breaking the law when I maintained that I did not. I apologize to the court if I said or did something that offended that court, or if my conduct appeared disrespectful in any way. It was never my intention and I apologize for that. After all, I view the court as a neutral party to this dispute. I also apologize to the investors and the shareholders of UPDV for my inability to buy back the assets as I had promised them. I apologize to the UPDV shareholders for not doing enough due diligence on Eric Seiden before I hired him. I apologize to my family for putting them through this ordeal; they are innocent bystanders who got caught in this dispute between the government and myself, and were really hurt by all the publicity of the case. As a society, we respect people, community leaders, business and political leaders, and leaders in general who do not speak from both sides of their mouth and flip flop on issues when it serves their interest. I could never live with myself if I lived my life like this, and I would be the biggest hypocrite to appear before you. I hope that the court will not use this against me. In previous cases, when I was wrong I admitted my mistakes and apologized for my conduct.

Wherever the chips may fall, and regardless of whether this is the last phase or there are more phases to come, I am ready to pick up the pieces and move forward. At my age, I don't live my life for myself only. I have my wife and two daughters to live for. They still depend on me, and whatever decision I make, I take their best interest as the core and the basis of such a decision. I also have to work hard to clear my name and

reputation, and then move on with my life. I hope that I will be given the opportunity to do so. Thank you for your time in this case.

Respectfully,

/S/

Kamal Abdallah

1/2/2012

CC: David Woll (via mail)

CC: Robert LaRusso (via email)